

# American conquests

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## Neil Stewart on the role of investor relations in building a healthy, active and liquid ADR program

Nidec is not a household name. Yet, like Intel, Nidec is everywhere. This Japanese company makes the tiny motors in computer hard drives and iPods, and its stock price has gone up by a factor of 20 over the last ten years. That's a great investment story, and Masahiro Nagayasu, Nidec's only US-based IRO, is almost certainly on the road telling it right now. Nidec saw its NYSE-listed American depositary receipts (ADR) program grow over 135 percent in 2005, with trading volume nearly doubling.

On the other hand, Volvo is a household name, but many US investors may not know that the truck maker, which is listed in Stockholm and on Nasdaq, sold its car division to Ford in 1999, or that in 2001 it bought Mack Trucks. More than a household name, Mack is an American icon. With the goal of raising

US ownership to over 20 percent, and without using IR consultants, Volvo's US IR team visits the major money centers on both coasts every quarter and surpasses most American companies with roadshows to the Midwest and Florida every six months.

'ADR issuers that make a commitment to the US market, employing a strategic and focused effort, see positive results,' says Patrick Colle, depositary receipt global client management executive at JPMorgan.

Joe Dooley, head of JPMorgan's depositary receipt client support and advisory services, adds: 'Telling their investment stories to institutional investors, going to retail investor shows, showcasing their products, leveraging the media, going above and beyond Reg FD and Sarbanes-Oxley – all of these IR activities play an important role in the success of an ADR program.'

The two measures of a successful ADR program are typically the proportion of total share capital and the proportion of total trading volume represented by ADRs. The experts advise issuers to set US ownership and liquidity objectives and then work hard to achieve them. 'Each client has a different approach, but those that are most successful understand that growing and diversifying their US shareholder base creates more demand for their shares, thus creating value,' explains Colle.

### Building bridges to investors

Aracruz Celulose, which in 1992 was the first Brazilian ADR to list on the NYSE, has an astonishing 85 percent of its trading volume in ADRs. 'We're a global company exporting 99 percent of our production, so our ADR program is very important to us,' explains Isac Zagury, the pulp producer's CFO, who travels to New York at least once a month and gets visits from US investors in Brazil almost every day. 'Our ADR program has grown over the years, largely as a result of a proactive IR strategy. We're always trying to provide more transparency and build good relationships with investors.'



**Joe Dooley:**  
IR has an  
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programs

Or consider Novartis, the Swiss healthcare company. In 2000 the company listed on the NYSE and grew its IR team in New York. Since then, Novartis' ADR has nearly doubled in price and has moved up to become the sixth most widely held.

True, not every company will have a large IR budget and a team of US-based IROs. Nidec's IR budget is a mere fraction of what some giants spend, yet its success is no less compelling. Nagayasu has achieved this through plain thinking and hard work. He has met with 540 top institutional investors over the past year, and that's just the beginning.

One of Nagayasu's first steps when he was posted to New York in December 2003 was to focus on the financial media, and he has helped land some major coverage for his company. Most recently, Nidec's Shigenobu Nagamori made the *Barron's* list of the world's 30 best CEOs.

Nagayasu also turned his attention to institutional salespeople: 'The key is for the 120 US institutional salespeople marketing Japanese stocks to get to know Nidec and to talk about us every chance they get,' he says. Every quarter he visits 18 brokerages across the US and meets with around 80 people.

Having been to five Money Show events, Nagayasu is now building a list of retail investor 'influencers' – people with investment newsletters or web sites outside the mainstream financial media, for example. 'It's a long-term process, but I'm going to meet with them, talk about Nidec, and maintain that contact,' he vows.

### Building credibility

The lynchpin of Volvo's program is an annual investor day with the Swedish CEO and CFO, as well as the heads of Volvo Trucks North America and Mack Trucks. Beyond that meeting, which attracts 75 to 100 people, New York-based IROs John Hartwell and Noah Weiss can't always include top management in their intensive 'missionary work'. That's where Hartwell's 18-year tenure at Volvo comes into play. 'We have built up credibility with fund managers,' Weiss says. 'Talking to John is almost as good as talking to the CEO or CFO.'

Hartwell and Weiss have a strategy that is not only cost-effective but also attracts a broad variety of prospective institutional investors. 'We use our sell-side analysts extensively to set up roadshows and do our targeting for us,' Hartwell explains. 'Giving clients corporate access has become more important for sell-side analysts, and they're now more interested in working with issuers.'

Hartwell likens that sell-side role to an ADR depositary's function. In March 2005 Volvo switched to JPMorgan on the strength of the support it offers: 'They're much more active in helping us increase our liquidity, more willing to provide us with targeting information and more helpful in setting up investor meetings.'

### Seeing opportunity

The best practices described here are only the beginning. For example, a big challenge now is complying with Sarbanes-Oxley, which takes effect for foreign issuers this fiscal year. While some see this as a roadblock, others see an opportunity.

'Many of our ADR issuers are fully aware of the costs of Sox compliance, but they also recognize the benefits,' Dooley comments. 'These include the positive investor perception of Sox compliance and the potential for higher valuation as a result of being a US exchange-listed issuer.'

Other new challenges – and opportunities – will arise. But whatever these may be, companies like Volvo, Nidec and Aracruz, with home markets far from Wall Street, will continue to build healthy, liquid ADR programs using resources within reach of companies of any size. 'IR teams large and small can look to the best practices of other companies and should work closely with their partners in the market,' Colle says, summing up the end goal: 'Focus your energies, learn from experts in the field, have a game plan for reaching your goals, and then maximize your impact.' ■



**Patrick Colle:**  
efforts to  
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create demand

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